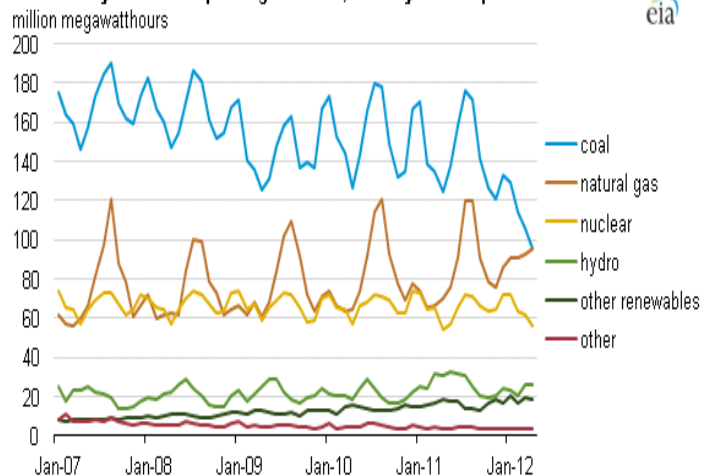


September 24, 2012

Natural Gas Trends**Highlights****U.S. POWER GENERATION:
COAL VERSUS SHALE GAS**

For the first time since the federal government has begun collecting data, natural gas and coal produce virtually the same amount of the country's electricity. The Energy Information Administration (EIA) crunched its numbers for this past April, and preliminary data show that both coal and natural gas make up about 32 percent of the country's total electricity generation. The economics of energy production may leave natural gas as the nation's key source of electric power. The EIA estimates that nearly 500 trillion cubic feet of natural gas are recoverable in shale formations boosting national gas reserves to what some estimate is a 100-plus-year supply.

U.S. monthly net electric power generation, January 2007 – April 2012



The recent and staggering abundance of natural gas is, ostensibly, a very good thing. Provided that current low natural gas prices persist and that resource estimates hold true, natural gas combined cycle power plants will gradually replace our nation's aging coal-fired generation fleet. Our electricity will become cleaner, cheaper, and more efficient, and the superior ability of natural gas combined cycle turbines to ramp up quickly will allow easier grid integration of variable energy sources like wind and solar power.

Coal and natural gas are now in direct competition with each other. Each provides a brake on the price of the other. This is good news for end use consumers and the environment.

Source: www.eia.gov**Data**

- October Natural Gas Futures Contract (as of Sep 21), NYMEX at Henry Hub closed at \$2.885 per million British thermal units (MMBtu)
- November Light, Sweet Crude Oil Futures Contract (as of Sep 21), NYMEX at Cushing closed at \$92.89 per U.S. oil barrel (Bbl.) or approximately \$14.79 per MMBtu

Last week: Texas, U.S. CDD lower than normal

For the week beginning 9/16/12 and ending 9/22/12, cooling degree days (CDD) were lower than normal for Texas and the U.S. For the cooling season (1/1/12 to 12/31/12), cumulative cooling degree days were 17% above normal for Texas and 24% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 9/22/2012	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	35	-1	1940	51%
Austin	58	-39	2785	7%
DFW	76	-5	3004	27%
El Paso	78	+12	2650	25%
Houston	84	-8	3092	23%
SAT	69	-28	3134	18%
Texas**	65	-16	2748	17%
U.S.**	30	-2	1377	24%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDD are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 3,496 Bcf

For the week ending 9/14/12, U.S. working gas in storage rose from 3,429 to 3,496 Bcf, compared to 3,176 Bcf in storage a year ago and compared to an average of 3,218 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) increased from 1,104 to 1,124 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 9/14/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,875	1,831	44	+ 4.2%
West	497	494	3	+ 11.7%
Producing	1,124	1,104	20	+ 15.4%
Lower 48 Total	3,496	3,429	67	+ 8.6%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up 6

The gas rig count for the U.S. was up 6 when compared to the prior week and down 458 when compared to 12 months ago. The total rig count for the U.S. was down 5 for the week and down 132 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

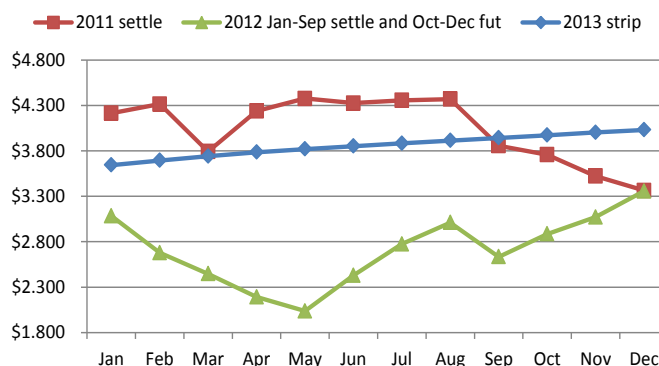
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 9/21/2012	+/- prior week	Year ago	+/- year ago
Texas	877	-1	903	-26
U.S. gas	454	+6	912	-458
U.S. oil	1402	-11	1071	+331
U.S. total	1859	-5	1991	-132
Canada	363	+9	505	-142

Numbers are excerpted and not meant to be totaled

Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.

NYMEX NATURAL GAS PRICES: 2011 - 2013

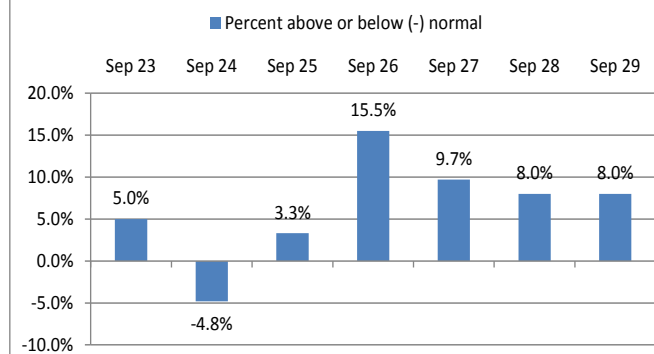


This week: U.S. energy use predominately up

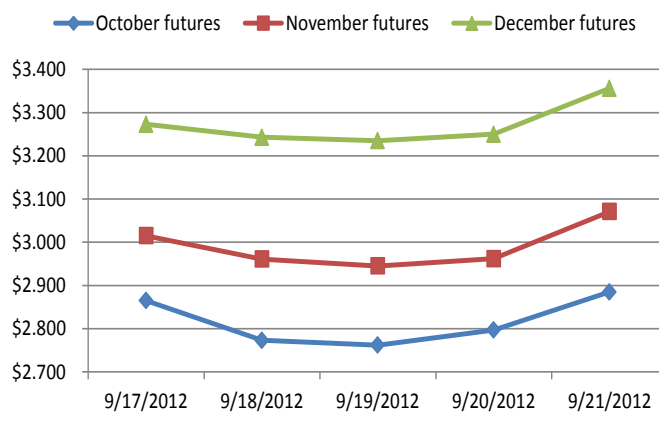
U.S. energy use is forecast to be higher than normal through Sept. 29 except for September 24 according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. ENERGY USE FORECAST



LAST WEEK: NYMEX HENRY HUB FUTURES PRICES



NATURAL GAS PRICE SUMMARY AS OF 9/21/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US October futures				
NYMEX	\$2.885	-\$0.058	-\$0.874	\$3.460

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